

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 650 - HB 845**

March 1, 2015

**SUMMARY OF BILL:** Authorizes a restaurant or limited service restaurant licensee to serve alcoholic beverages, including beer, in any area of the premises that is used for purposes of entertainment activities, including bowling, billiards, games, or darts. Requires any such area to have table service or be within observation distance from the service area of the facility.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – Exceeds \$18,500**

**Increase Local Revenue – Exceeds \$13,300**

**Assumptions:**

- The Department of Revenue estimates that approximately 200 establishments will be affected by the provisions of this bill.
- Based on the 2013 average taxable base of comparable establishments generated by the Department of Revenue, and assuming reasonable growth rate in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$65,000 per year, for a total of \$13,000,000 (\$65,000 x 200).
- Authorizing the impacted entities to serve alcoholic beverages in non-service areas of the establishments, as described in the proposed legislation, is estimated to result in a recurring increase in taxable sales of at least one percent, or \$130,000 (\$13,000,000 x 1.0%).
- It is assumed that the significant impact of the additional alcoholic beverage sales will first be experienced in FY15-16.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- The recurring increase in state revenue to the General Fund is estimated to exceed \$18,521 [(\$130,000 x 7.0%) – (\$130,000 x 7.0% x 3.617%) + (\$130,000 x 15.0% x 50.0%)].

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- The recurring increase in local revenue is estimated to exceed \$13,329 [(\$130,000 x 2.5%) + (\$130,000 x 7.0% x 3.617%) + (\$130,000 x 15.0% x 50.0%)].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.
- No additional personnel or resources will be required by the ABC.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly distinguishable.

Jeffrey L. Spalding, Executive Director

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